

2013 BDO Board Survey

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OBJECTIVE:

This survey was conducted in order to assess how corporate directors felt about matters related to financial reporting, executive compensation, fraud risk, and management of their time.

METHODS USED:

Responses were collected from 74 corporate directors of public company boards with revenues ranging from \$250 million to \$750 million regarding financial reporting and corporate governance issues.

KEY FINDINGS:

- When asked if they believed the Public Company Accounting Oversight Board's (PCAOB) proposal will improve the usefulness of the annual auditor's report, 45% responded no.
- 78% are in favor of requiring auditors to disclose how long it has served as the company's auditor in the report.
- 48% are in favor of requiring auditor's reports to discuss parts of the audit where the auditor had to make its most complex decisions or where they had the most difficulty in forming its audit opinion.
- 67% are not in favor of requiring auditor's report to evaluate information beyond the financial reports of the company.
- 64% are aware of the new SEC rule that allows companies to disclose material information through social media postings, but so far none have utilized this new channel and only 11% anticipate doing so in the future.
- 69% reported regulation and compliance overload presented the greatest risk for their business. Followed by cyber breach with 13%.
- 42% stated embezzlement or similar crimes against the company are areas that present the greatest risk to them. Corruption and bribery followed with 20%.
- 55% said they have increased their company's anti-corruption and anti-fraud resources in the past year.
- 46% stated training was the area they devoted the greatest increase in resources to reduce corruption and fraud.
- 11% stated their companies have experienced a cyber breach during the past two years.
- 98% of respondents have implemented technology to safeguard company assets from cybercrime.
- 56% have hired cyber security consultants to advise them on risk areas and solutions.
- Of those who conduct business internationally and deal with foreign officials, 38% believe compliance risks related to bribery of foreign officials have increased over the past two years.

- 65% believe the most effective way to mitigate corruption risks in foreign markets is to improve training and education for employees.
- 66% indicated they are not concerned with the focus on equity in CEO compensation leading to a growing gap in compensation between the CEO and other members of management.
- 47% stated they would like to spend more time planning and studying industry competitors.

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